

Pickford Utility Authority

BASIC FINANCIAL STATEMENTS

June 30, 2008

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* Pickford Utility Authority	County* CHIPPEWA	Type* AUTHORITY	MuniCode* 17-7-502
Opinion Date-Use Calendar* Aug 14, 2008	Audit Submitted-Use Calendar* Nov 20, 2008	Fiscal Year End Month* 06	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies? 19. If so, was it attached to the audit report?

General Fund Revenue: ?	\$ 35,659.00
General Fund Expenditure: ?	\$ 36,502.00
Major Fund Deficit Amount:	\$ 0.00

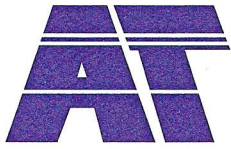
General Fund Balance: ?	\$ 913,240.00
Governmental Activities Long-Term Debt (see instructions): ?	\$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* Kenneth	Last Name* Talsma	Ten Digit License Number* 1101024989		
CPA Street Address* 16978 S. Riley Avenue	City* Kincheloe	State* MI	Zip Code* 49788	Telephone* +1 (906) 495-5952
CPA Firm Name* Anderson, Tackman & Co., P.C.	Unit's Street Address* 155 E. Main St.	Unit's City* Pickford	Unit's Zip* 49774	

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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INDEPENDENT AUDITOR'S REPORT

Pickford Utility Authority
Pickford, Michigan 49774


We have audited the accompanying financial statements of the business-type activities and major fund of the Pickford Utility Authority as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and major fund of the Pickford Utility Authority as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2008, on our consideration of the Pickford Utility Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on page 3 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


Anderson, Tackman & Company, PLC
Certified Public Accountants

August 14, 2008

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances.

The Authority as a Whole

The Authority's combined net assets decreased 5% from a year ago decreasing from \$961,737 to \$913,240, primarily as a result of depreciation expense. In a condensed format, the table below shows the net assets as of the current date.

In a condensed format, the table below shows the net assets of the Pickford Utility Authority.

	Business-Type Activities	
	2008	2007
Current Assets	\$ 14,075	\$ 14,856
Capital Assets	<u>980,358</u>	<u>1,048,098</u>
Total Assets	<u>994,433</u>	<u>1,062,954</u>
Current Liabilities	21,193	21,217
Non-Current Liabilities	<u>60,000</u>	<u>80,000</u>
Total Liabilities	<u>81,193</u>	<u>101,217</u>
Net Assets		
Invested in Capital Assets -		
Net of Debt	900,358	948,098
Unrestricted (Deficit)	<u>12,882</u>	<u>13,639</u>
Total Net Assets	<u>\$ 913,240</u>	<u>\$ 961,737</u>

The current level of unrestricted net assets for our business-type activities stands at \$12,882, or about 19% of expenses. This is within the targeted range set by the Authority's Board of Directors during its last budget process.

The following table shows the activities of the Authority.

	Business-Type Activities	
	2008	2007
Revenues		
Charges for Services	\$ 35,659	\$ 34,315
Interest and Other	<u>25,086</u>	<u>23,106</u>
Total Revenues	<u>60,745</u>	<u>57,421</u>
Expenses		
Operations	36,502	36,902
Interest Expense	5,000	6,000
Depreciation Expense	<u>67,740</u>	<u>67,740</u>
Total Expenses	<u>109,242</u>	<u>110,642</u>
Changes in Net Assets	(48,497)	(53,221)
Net Assets – Beginning	<u>961,737</u>	<u>1,014,958</u>
Net Assets – Ending	<u>\$ 913,240</u>	<u>\$ 961,737</u>

Business-Type Activities

The Authority's total business-type revenues increased by approximately \$3,324, primarily due to the increase in Township contracts collected. The second largest increase, compared to the prior year, was user fees of \$1,344.

Expenses decreased by only about \$1,400 during the year. This was primarily the result of conservative spending in 2008.

Capital Asset and Debt Administration

At the end of 2008, the Authority had \$980,358 invested in a broad range of capital assets, including storage buildings, machinery and equipment, and sewer lines.

The Authority reduced its bond debt load by \$20,000 in principal payments in fiscal year 2008 ending with a debt balance of \$80,000.

Economic Factors and Next Year's Budgets and Rates

A direct reflection of a soft economy, the Authority's 2009 budget will be tight essentially a "hold the line" document when compared to the 2008 program.

Insurance costs continue to increase.

Contacting the Authority's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Authority at (906) 647-3361.

Basic Financial Statements

ASSETS:

Current Assets:

Cash and Equivalents	\$ 8,585
Accounts Receivable	2,717
Prepaid Expense	<u>2,773</u>

TOTAL CURRENT ASSETS 14,075

Noncurrent Assets:

Capital Assets not Depreciated	21,000
Capital Assets (Net of Accumulated Depreciation)	<u>959,358</u>

TOTAL NONCURRENT ASSETS 980,358

TOTAL ASSETS \$ 994,433

LIABILITIES:

Current Liabilities:

Current Portion of Bonds Payable	\$ 20,000
Accrued Payroll and Related Liabilities	<u>1,193</u>

TOTAL CURRENT LIABILITIES 21,193

Long-Term Liabilities:

Bonds Payable – Long-Term Portion	<u>60,000</u>
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TOTAL LIABILITIES 81,193

NET ASSETS:

Investment in Capital Assets (Net of Debt)	900,358
Unrestricted	<u>12,882</u>

TOTAL NET ASSETS \$ 913,240

**Statement of Revenues, Expenses, and
Changes in Net Assets
For the Year Ended June 30, 2008****OPERATING REVENUE:**

Charges for Services – Users \$ 35,659

TOTAL OPERATING REVENUES 35,659

OPERATING EXPENSES:

Wages 12,077

Payroll Taxes 1,275

Supplies 1,186

Board Fees 1,400

Vehicle Expense 17

Insurance 2,093

Repairs and Maintenance 12,077

Utilities 3,661

Miscellaneous 2,716

TOTAL OPERATING EXPENSES BEFORE DEPRECIATION 36,502

Operating Income (Loss) Before Depreciation (843)

Less Depreciation (67,740)

TOTAL OPERATING INCOME (LOSS) (68,583)

NON-OPERATING INCOME (EXPENSE):

Interest Earnings 86

Local Contributions 25,000

Interest Expense – Long-Term Debt (5,000)

Net Non-Operating Income (Expense) 20,086

Changes in Net Assets (48,497)

NET ASSETS, JULY 1 961,737

NET ASSETS, JUNE 30 \$ 913,240

**Statement of Cash Flows
For the Year End June 30, 2008****CASH FLOWS FROM OPERATING ACTIVITIES:**

Receipts from Customers	\$ 32,942
Payments to Employees	(13,375)
Payments to Suppliers	(25,923)
Net Cash Provided (Used) by Operating Activities	<u>(6,356)</u>

**CASH FLOWS FROM NONCAPITAL AND RELATED
FINANCING ACTIVITIES:**

Local Contributions	<u>25,000</u>
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>25,000</u>

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES:**

Interest Paid on Bonds	(5,000)
Principal paid on Bonds	<u>(20,000)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(25,000)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on Earnings	<u>86</u>
Net Cash Provided (Used) by Investing Activities	<u>86</u>
Net Cash Provided (Used) - All Activities	(6,270)
Cash and Cash Equivalents at Beginning of the Year	<u>14,855</u>
Cash and Cash Equivalents at End of the Year	<u>\$ 8,585</u>

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:**

Operating Income (loss)	\$ (68,583)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	67,740
Change in Assets and Liabilities	
Accounts Receivable	(2,717)
Prepaid Expense	(2,773)
Accrued Liabilities	<u>(23)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (6,356)</u>

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Pickford Utility Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the Authority:

A – Reporting Entity:**Financial Reporting Entity**

The financial statements of the Authority include the following operation: Pickford Area Wastewater Treatment Facility. The operation listed above is included because the Authority has direct oversight responsibility over each operation.

The Authority is a separate public municipal authority incorporated by Pickford Township, Chippewa County, and Marquette Township, Mackinac County pursuant to the Joint Sewage and Water Authority Act, Act 233, Public Acts of Michigan, 1955, as amended, for the purpose of acquiring, owning, improving, enlarging, extending, operating, and financing a sewage disposal system or a water supply system or both on behalf of its incorporating municipalities and to provide water or sewage disposal services to area municipalities. The Pickford Utility Authority is governed by a five member board, which is comprised of four Commissioners from Pickford Township and one Commissioner from Marquette Township. The Commissioners are appointed by the Supervisor of Pickford Township with the advice and consent of the governing body of said Township.

B – Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of revenues, expenses and changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as needed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary fund relate to charges to customers for sewage disposal. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D - Assets, Liabilities, and Net Assets or Equity:

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Deposits are recorded at cost.

Accounts Receivable – The Authority has not established an allowance for uncollectible accounts since, in the opinion of management the amount is not significant.

Inventories and Prepaid Items – All inventories, including the cost of supplies, are expensed when purchased. Expenditures for insurance and similar services are expensed when paid.

Capital Assets – Capital assets, which include property, plant, and equipment, infrastructure assets (e.g., sewer lines and similar items) are reported in financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation – Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Sewer System	40 years
Machinery & Equipment	5-10 years
Storage Buildings	15 years

Long-Term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in business-type activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH AND EQUIVALENTS:Statutory Authority:

Michigan law (Act 196 PA 1997) authorizes the Authority to deposit and invest in one or more of the following:

- a. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Bankers acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligations described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

NOTE 2 - CASH AND EQUIVALENTS: (Continued)

The Authority's deposits are in accordance with statutory authority. The Authority's deposits are located in several local financial institutions. All deposits are carried at cost.

<u>Balance Sheet Account</u>		<u>Cash Items</u>	
Cash and equivalents	\$ 8,585	Checking	\$ 7,947
		Savings	<u>638</u>
	<u>\$ 8,585</u>		<u>\$ 8,585</u>

Interest rate risk. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Authority has no investment policy that would further limit its investment choices.

Custodial deposit credit risk. Custodial deposit credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. State law does not require and the Authority does not have a policy for deposit custodial credit risk. As of year end, \$0 of the Authority's bank balance of \$8,585 was exposed to credit risk because it was uninsured and uncollateralized.

NOTE 3 - CAPITAL ASSETS:

Capital Asset activity for the Authority for the current year was as follows:

	<u>Balance 07/01/07</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 06/30/08</u>
Business-Type Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 21,000	\$ -	\$ -	\$ 21,000
Subtotal	<u>21,000</u>	<u>-</u>	<u>-</u>	<u>21,000</u>
<i>Capital assets being depreciated:</i>				
Building	52,823	-	-	52,823
Sewer System	2,601,500	-	-	2,601,500
Equipment	<u>97,922</u>	<u>-</u>	<u>-</u>	<u>97,922</u>
Subtotal	<u>2,752,245</u>	<u>-</u>	<u>-</u>	<u>2,752,245</u>

NOTE 3 - CAPITAL ASSETS: (Continued)

	Balance 07/01/07	Increases	Decreases	Balance 06/30/08
Business-Type Activities:				
Less accumulated depreciation for:				
Building	(38,784)	(1,644)	-	(40,428)
Sewer System	(1,595,381)	(65,037)	-	(1,660,418)
Equipment	(90,982)	(1,059)	-	(92,041)
Subtotal	<u>1,725,147</u>	<u>(67,740)</u>	<u>-</u>	<u>1,792,887</u>
Net Capital Assets being Depreciated	<u>1,027,098</u>	<u>(67,740)</u>	<u>-</u>	<u>959,358</u>
Capital Assets – Net of Depreciation	<u>\$ 1,048,098</u>	<u>\$ (67,740)</u>	<u>-</u>	<u>980,358</u>

Depreciation expense is charged only to the proprietary sewer business activity.

NOTE 4 - LONG-TERM DEBT:

The Authority has issued general obligation bonds for the construction of the Pickford Area Wastewater Treatment Facility. The Pickford Utility Authority 1982 Sewage Disposal System Bonds were issued in September 1982. The total issue was for \$516,000 at a rate of five percent per annum payable semi-annually. Bonds maturing in the years 1984 to 2012, inclusive, will be subject to redemption prior to maturity, in reverse numerical order, at the option of the Authority on any one or more interest payment dates on or after September 1, 1992, at the par value thereof and accrued interest to the date fixed for redemption without premium or penalty.

The following is a summary of the long-term debt transactions of the Authority for the year ended June 30, 2008.

Balance at July 1, 2007	\$ 100,000
Long-term debt retired	<u>(20,000)</u>
Balance at June 30, 2008	80,000
Less: Current Portion (Due in one year)	<u>(20,000)</u>
Long-Term Portion	<u>\$ 60,000</u>

NOTE 4 - LONG-TERM DEBT: (Continued)

Maturities of principal and interest over the remaining life of the bonds payable are summarized as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	20,000	4,000	24,000
2010	20,000	3,000	23,000
2011	20,000	2,000	22,000
2012	<u>20,000</u>	<u>1,000</u>	<u>21,000</u>
Total	<u>\$ 80,000</u>	<u>\$ 10,000</u>	<u>\$ 90,000</u>

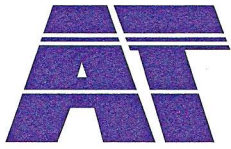
NOTE 5 - RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Authority has purchased commercial insurance for property loss, torts, and worker's compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of coverage in any of the past three fiscal years.

NOTE 6 - RELATED PARTIES:

The Pickford Utility Authority was created by the Township of Pickford and the Township of Marquette to provide sewer services for the two municipalities. The two units bill and collect special assessment taxes billed to the public for the debt of the system. The Authority in turn bills the municipalities for debt service fees. The two municipalities are ultimately responsible for the operation and debt of the Authority.

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
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**MEMBER AICPA
DIVISION FOR CPA FIRMS**

MEMBER MACPA

**OFFICES IN
MICHIGAN & WISCONSIN**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Pickford Utility Authority
Pickford, Michigan 49774

We have audited the accompanying financial statements of the business-type activities and major fund of the Pickford Utility Authority, as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements and have issued our report thereon, dated August 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pickford Utility Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify and deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pickford Utility Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

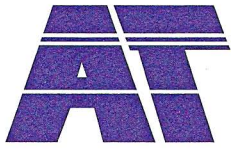
We noted certain matters that we reported to management of the Pickford Utility Authority in a separate letter dated August 14, 2008.

This report is intended solely for the information and use of the Board, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

August 14, 2008



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
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MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Pickford Utility Authority
Pickford, Michigan 49774

We have audited the financial statements of the business-type activities and major fund of the Pickford Utility Authority for the year ended June 30, 2008, and have issued our report thereon dated August 14, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated August 14, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Pickford Utility Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Pickford Utility Authority's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 6, 2008.

Significant Accounting Policies

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Pickford Utility Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Management's estimate of the depreciation expense based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determine that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 14, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us as to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Comments and Recommendations

The following is a summary of our observations with suggestions for improvements we believe should be brought to your attention. We noted no material matters involving the internal control over financial reporting and compliance, as reported in a separate letter in accordance with Government Auditing Standards of the basic financial statement audit report.

Segregation of Duties – Repeat Comment

Within the present plan of organization of the Authority, there is an inadequate control over cash transactions caused by an inadequate segregation of duties, which is due to the limited number of office personnel employed. We recommend a review of current cash controls and implementation of procedures would increase the separation of these functions to a reasonable extent or implement review procedures to assure proper recording and authorization of funds.

Cash Receipts – Repeat Comment

We recommend that the Authority purchase and use prenumbered receipt books. Using receipt books would enhance internal controls relating to cash collections.

Fraud Policy

With the implementation of Statement on Auditing Standards No. 99, auditors are required to assess policies and procedures regarding fraud risks within a governmental entity. The Board does not have a "fraud policy" which would address fraud or suspected fraud and related board actions. We recommend the Board adopt a fraud policy in compliance with SAS No. 99.

Conclusion

This information is intended solely for the use of the Board of Commissioners and management of the Pickford Utility Authority and is not intended to be and should not be used by anyone other than these specified parties.

We would like to express our appreciation, as well as that of our staff for the excellent cooperation we received while performing the audit. If we can be of any further assistance, please contact us.



Anderson, Tackman & Company, PLC
Certified Public Accountants

August 14, 2008